BEFORE THE

Federal Communications Commission

WASHINGTON, D.C.

In the Matter of	)	
Equal Access and Interconnection	)	CC Docket 94-54
Obligations Pertaining to	)	RM 8012
Commercial Mobile Radio Services	)	

REPLY COMMENTS OF THE
CELLULAR TELECOMMUNICATIONS INDUSTRY ASSOCIATION

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SUMMARY

The Commission, in its regulation of CMRS, has consistently accounted for competitive conditions currently existing within the mobile services marketplace and the promise of additional competitors entering the market in the near future. These same considerations govern in this proceeding and similarly mandate maximum regulatory forbearance. Without the necessary prerequisite of persistent sustained market power, mandatory equal access and interconnection obligations for CMRS providers impose more costs than benefits and thereby harm consumer welfare.

When considering the proper framework to govern LEC/CMRS interconnection arrangements -- a situation in which government oversight is required to ensure access to LEC bottleneck facilities -- the Commission should adopt its current system of LEC/cellular good faith negotiations. Extension of its current policy to CMRS will adequately protect CMRS providers from discriminatory LEC practices while concomitantly ensuring sufficient flexibility within the process to fashion mutually beneficial interconnection arrangements.

To further enhance competition and maintain regulatory parity among commercial mobile services, the Commission should extend the current cellular resale obligations to all CMRS providers.

Finally, the Commission should refrain from imposing switch-based resale obligations upon cellular providers as the necessary prerequisite of cellular control over bottleneck facilities is lacking.

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In the Matter of Equal Access and Interconnection Obligations Pertaining to Commercial Mobile Radio Services	))))	CC Docket 94-54 RM 8012

REPLY COMMENTS OF THE CELLULAR TELECOMMUNICATIONS INDUSTRY ASSOCIATION

The Cellular Telecommunications Industry Association ("CTIA") hereby submits its reply comments in the above-captioned proceeding on issues regarding equal access and interconnection obligations for commercial mobile radio service ("CMRS") providers.[1]

INTRODUCTION

The Commission has consistently taken a forward-looking approach to regulating CMRS[2] which accounts for the present

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[1] See Equal Access and Interconnection Obligations Pertaining to Commercial Mobile Radio Services, Notice of Proposed Rule Making and Notice of Inquiry, FCC 94-145 (rel. July 1, 1994).

[2] See Regulatory Treatment of Mobile Services, Second Report and Order in GN Docket 93-252, 9 FCC Rcd 1411, 1418-1422 (1994) (Declining to impose tariff requirements on CMRS providers, the FCC found that "[c]ompetition, along with the impending advent of additional competitors, leads to reasonable rates.") ("CMRS Second Report"); Regulatory Treatment of Mobile Services, Third Report and Order in GN Docket 93-252, PR Docket 93-144, PR Docket 89-553, FCC 94-212, ¶¶ 12-14, 39 (rel. Sept. 23, 1994) (For purposes of conforming CMRS technical and operational rules, the FCC chose "to take an expansive view of the present condition of competition among services in the CMRS marketplace, and of the potential for competition among these services in the future, because such a view maximizes the range of services that can be considered to be substantially similar.") ("CMRS Third Report").

competitive nature of CMRS and the wealth of new services poised to enter the wireless market.[3] The Commission should be guided by that same mindset when considering equal access and interconnection issues applicable to CMRS providers. Quite simply, no commenter in this proceeding offers any justifications sufficient to impose such equal access and interconnection regulations upon CMRS. Therefore, the Commission should continue its efforts to foster competition and growth within mobile services and refrain from imposing such obligations.

Moreover, the current system of LEC/cellular good faith negotiations provides sufficient protections for CMRS providers as well as necessary flexibility, and therefore should be retained. Finally, mandatory resale obligations for all CMRS providers will enhance competition and preserve regulatory parity. Switch-based resale requirements, though, are unnecessary in light of the competitive CMRS marketplace.

I. THE COMMISSION SHOULD REFRAIN FROM IMPOSING EQUAL ACCESS REQUIREMENTS ON CELLULAR LICENSEES AND ANY OTHER CMRS PROVIDERS.

Equal access obligations,[4] measures originally adopted as part of the government consent decree requiring the divestiture of AT&T, were designed to increase competition in the long

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[3] Such actions respond to the Congressional mandate to establish regulatory parity and to forbear from unnecessary regulation of CMRS. See 47 U.S.C. § 332.

[4] Simply put, equal access obligations require the local telephone service provider to treat all long distance telephone providers seeking access to the local network equally so that consumers have a choice among long distance service providers.

distance telephone market by opening access to the local exchange bottleneck to numerous long-distance competitors. Because such obligations are costly, they have consistently been imposed under very limited circumstances where firms exercise persistent, substantial market power, i.e., the ability to raise price by restricting output.[5] In a competitive, dynamic environment where no firm exercises control over bottleneck facilities, such obligations are ill-advised and unwarranted.

The CMRS marketplace is a prime example of a market in which equal access obligations are unnecessary in light of the competitive forces currently existing and soon to be introduced. In citing Commission declarations,[6] the MFJ court's conclusions[7]

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[5] See United States v. AT&T, 552 F. Supp. 131 (D.D.C. 1982), aff'd mem. sub nom. Maryland v. U.S., 460 U.S. 1001 (1983) (BOCs required to offer equal access); United States v. GTE Corp., 603 F. Supp. 730 (D.D.C. 1984) (GTE's wired local telephone services required to offer equal access while its cellular operations were exempted); United States v. Western Elec. Co., 797 F.2d 1082, 1086 (D.C. Cir. 1986) (equal access obligations extended to BOC cellular operations); MTS/WATS Market Structure (Phase III), 94 FCC 2d 292, 298 (1983) (independent LECs required to offer equal access); Policies and Rule Concerning Operator Service Providers, 6 FCC Rcd 4736 (1991) (OSPs required to provide equal access).

[6] See Regulatory Treatment of Mobile Services, Second Report and Order in GN Docket 93-252, 9 FCC Rcd at 1478-1479 (1994) ("there is no record evidence that indicates a need for full-scale regulation of cellular or any other CMRS offerings;" "cellular providers do face some competition today, and the strength of competition will increase [in] the near future").

[7] See United States v. Western Electric Co., Inc., No. 82-0192, slip op. (D.D.C. Aug. 25, 1994) (non-BOC cellular systems and BOC-affiliated cellular systems outside their local exchange regions "do not constitute bottleneck monopolies").

and economic analyses,[8] CTIA has previously demonstrated[9] the competitive nature of the CMRS marketplace -- a market in which no one provider controls access to essential or bottleneck facilities. Recent Commission deliberations further attest to this conclusion.

In approving the transfer of control application incident to the AT&T/McCaw merger, the Commission noted the differences in market conditions existing between the LEC local exchange and the cellular network:

> the rationale for the MFJ's [equal access and other] limitations on the BOCs -- the existence of a long-entrenched exchange service bottleneck encompassing virtually every home and business in the BOCs' territories -- does not apply to AT&T/McCaw. In the absence of a factual rationale for applying the MFJ to AT&T/McCaw, doing so would be counterproductive.[10]

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[8] See, e.g., Stanley M. Besen, Robert J. Larner and Jane Murdoch, "An Economic Analysis of Entry By Cellular Operators Into Personal Communications Services," submitted as an Appendix to CTIA's Comments in Gen. Docket 90-314 (November 1992); Stanley M. Besen, Robert J. Larner and Jane Murdoch, "The Cellular Service Industry: Performance and Competition," submitted as an Appendix to CTIA's Comments in Gen. Docket 90-314 (January 1993); Affidavit of Jerry A. Hausman, United States v. Western Elec. Co., Civil Action No. 82-0192 (June 15, 1994); Robert F. Roche, "Competition and the Wireless Industry," submitted as an Appendix to CTIA's Opposition in PR Dockets 94-103 - 94-110 (September 1994).

[9] See Comments of CTIA at 8-11.

[10] See Applications For Consent to the Transfer of Control of McCaw Cellular Communications, Inc. and its Subsidiaries, Memorandum Opinion and Order, FCC 94-238, ¶ 32 (rel. Sept. 19, 1994) (citations omitted) ("AT&T/McCaw Transfer of Control Order"). The Commission reserved the question of whether to impose equal access requirements generally upon McCaw/AT&T to this proceeding.

In further comparing the local exchange market to the cellular market the Commission found that:

> the BOCs' historical, ubiquitous wireline exchange bottleneck [is not] perfectly analogous to the local cellular service market. Cellular service is relatively new, still serving only a small percentage of the population. Moreover, the existence of two facilities-based carriers has created a degree of rivalry not present in 'wireline' exchange services under the former Bell System, and competition from other wireless systems, such as PCS, is on its way. . . . In sum, the trends toward competition in these markets [interexchange, manufacturing and exchange services] are significantly more pronounced than they were in 1983 on the eve of the Bell System divestiture. The conditions we are placing on the proposed acquisition in this Order reflect the lesser degree of anticompetitive danger that we observe in the current marketplace.[11]

Finally, in considering whether to impose equal access obligations upon the newly-merged company, the Commission concluded:

> the BOCs base their arguments [to impose equal access requirements] on the presumed need to establish competitive parity. They have not, however, shown that the AT&T/McCaw merger would change the nature and composition of the market in such a way as to warrant subjecting AT&T/McCaw to the restrictions that the BOCs seek. . . . The equal access requirements imposed on the BOCs by the MFJ and our rules at the time of the Bell System divestiture were intended to ensure that all IXCs would have the opportunity to obtain local access service equivalent to that provided to AT&T, thereby allowing consumers to choose among the available IXCs. These rules were the cornerstone of the new interstate competitive regime. The record here does not raise the same concerns about competition and consumer choice.[12]

Essentially, the Commission's statements regarding current cellular market conditions confirm the view that cellular

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[11] <u>AT&T/McCaw Transfer of Control Order</u>, <u>id.</u> at ¶ 39 (citations omitted).

[12] <u>Id.</u> at ¶ 68 (citations omitted).

services are sufficiently competitive to refrain from imposing equal access obligations.

This view is further bolstered by the Commission's recent decision governing technical and operational rules for CMRS. Specifically, in its analysis of the proper analytical framework governing CMRS technical and operational rules, the Commission found that competition within the mobile services market is flourishing:

> all CMRS -- including one-way messaging and data, and two-way voice, messaging, and data -- are competing services or have the reasonable potential to become competitive services in the CMRS marketplace. . . . Actual competition among certain CMRS services exists already, and, more importantly, the potential for competition among all CMRS services appears likely to increase over time due to expanding consumer demand and technological innovation.[13]

Moreover it noted that:

> Congress created CMRS as a new classification of mobile services to ensure that similar mobile services are accorded similar regulatory treatment . . . consistent with that objective, the Commission's role is to establish an appropriate level of regulation for the administration of CMRS. Such a regulatory regime will ensure that the marketplace -- and not the regulatory arena -- shapes the development and delivery of mobile services to meet the demands and needs of consumers, except where relying on market forces might lead to a result that is harmful to competition or to consumers.[14]

As CTIA has demonstrated, reliance upon market forces is proper here as the policy rationale for imposing equal access requirements -- the exercise of persistent, substantial market power -- is clearly absent from the CMRS marketplace. In fact,

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13 See CMRS Third Report, at ¶¶ 12-13.

14 Id. at ¶ 23.

if the Commission's timetable for broadband PCS auctions occurs as scheduled, within the coming year there should be five licensed CMRS competitors within CMRS markets: two facilities-based cellular operators, one ESMR provider, and two PCS providers, i.e., more CMRS competitors than currently exists in the IXC market.

Contrary to the claims of several commenters,[15] and as detailed by CTIA[16] and others, mandatory equal access requirements also impose numerous overriding costs including: (1) the elimination of cellular-provided alternatives to toll services; (2) threats to the development and deployment of innovative services and technologies such as CDPD (a form of packet data service) and AIN (IS-41) services; (3) significant implementation costs including switch and billing upgrades, trunk installations and balloting and presubscription costs; and (4) unnecessary customer confusion.

By way of further example, the record is replete with real-life situations where cellular operators provide their customers with toll-free expanded calling areas in competition with traditional long distance providers.[17] Equal access requirements

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[15] See, e.g., Comments of Puerto Rico Telephone Company at 1; Comments of the People of the State of California and the Public Utilities Commission of the State of California at 2-3; Comments of LDDS Communications, Inc. at 14; Comments of the New York State Department of Public Service at 3.

[16] See Comments of CTIA at 11-15.

[17] See, e.g., Comments of CTIA at 7-8 (several examples); Comments of Southwestern Bell Corporation at 38-42 (numerous (continued...)

in these instances could create perverse effects upon price competition for toll service and thus actually decrease the availability of lower priced toll alternatives to consumers. In light of the lack of consumer demand for equal access and the price benefits accorded current cellular customers by extended calling areas, equal access obligations simply cannot be economically justified.

Finally, policy arguments advocating equal access requirements for non-BOC cellular operators in the name of "regulatory parity"[18] should be rejected as well. In light of the competitive nature of cellular and other CMRS services, no cellular operator provider should be subjected to equal access

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[17](...continued) examples); Comments of Vanguard Cellular Systems, Inc. at 13-14, and attachments (Mid-Atlantic "'Supersystem'" covering most of Eastern Pennsylvania and parts of New York and New Jersey); Comments of Pacific Telecom Cellular, Inc. at 3-4 (statewide toll-free calling option); Comments of Triad Cellular at 8 (wide area network in Texas and Oklahoma offering local calling across five LATAs); Comments of Palmer Communications Incorporated at 5-6 ("LATA Wide Toll-Free Calling Areas"); Comments of SNET Mobility, Inc. at 9-10 (several examples); Comments of the Organization for the Protection and Advancement of Small Telephone Companies at 4; Comments of Horizon Cellular Telephone Company Attachment at 3 (wide area toll-free calling in Bedford and Lawrence Pennsylvania systems); Comments of Century Cellunet, Inc. at 9 (wide area calling in Texas and Arkansas covering 5 LATAs); Comments of Western Wireless Corporation at 5; Comments of Small Market Cellular Operators at 2-4 (several examples within Kansas, North Carolina, etc.); Comments of Highland Cellular, Inc. at 3; Comments of Florida Cellular RSA Limited Partnership at 2-3; Comments of The Rural Cellular Association at 8.

[18] See, e.g., Comments of Columbia PCS, Inc. at 2-3; Comments of LDDS Communications, Inc. at 14; Comments of the People of the State of California and the Public Utilities Commission of the State of California at 2; Comments of the New York State Department of Public Service at 2-3.

obligations. Yet despite claims to the contrary, it would be bad public policy for the Commission to perpetuate an accident of history.[19]

II. THE COMMISSION SHOULD REFRAIN FROM TARIFFING LOCAL EXCHANGE CARRIER INTERCONNECTION ARRANGEMENTS.

When considering how best to ensure fair and efficient interconnection arrangements between LECs and CMRS providers, the Commission should be guided by the old adage, "if it ain't broke, don't fix it." The current process of good faith negotiations governing cellular interconnection with LEC networks should be extended to all CMRS providers. This process has numerous advantages, which CTIA discussed in its initial comments: (1) it adequately protects against LEC discriminatory conduct; (2) it is readily adaptable to the CMRS marketplace; (3) it provides a degree of certainty that is critically important during the initial stages of CMRS development; and (4) it is satisfactory to most cellular carriers and LECs.[20] Replacing this well-known and well-established process with more burdensome, complex tariffing

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[19] The Commission has recognized as much in the AT&T/ McCaw Transfer of Control Order, at ¶ 32 ("assuming, as the BOCs do, that the MFJ restricts competition in undesirable ways, expanding its application to the BOCs' competitors would only compound the harm to competition.")

[20] See CTIA Comments at 15-22. But see MCI Comments at 11-12; Puerto Rico Telephone Co. Comments at 3; People of the State of California and the Public Utilities Commission of the State of California Comments at 3; General Services Administration Comments at 4-6; Cox Enterprises, Inc. Comments at 4-11; National Cellular Resellers Association Comments at 18-20; and New York State Department of Public Service Comments at 4-5.

requirements will only introduce uncertainty and confusion into an already dynamic market.

Furthermore, as CTIA demonstrated, the current system provides the needed flexibility to accommodate the diverse interconnection needs of numerous CMRS providers.[21] Whereas uniform tariffing requirements necessarily restrict the ability of LECs and CMRS providers to adapt to changing market and technological conditions, a negotiation process allows participants to adjust easily and respond quickly to new developments. Considering the differences in technical capabilities and network designs among the various emerging commercial radio services, such flexibility is critical to the full development of CMRS.[22]

In deciding how to best implement LEC interconnection arrangements, the Commission should also keep in mind that the ability of CMRS providers to become viable alternatives to the local exchange network will depend, in large part, on the costs incurred by CMRS providers in interconnecting with the LEC. While CTIA does not believe that tariffing LEC interconnection arrangements is the right solution, it is nevertheless vitally

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[21] CTIA Comments at 20-22.

[22] Tariffing obligations also impose significant costs and burdens, which will inevitably be borne by wireless services customers. Existing Commission procedures, e.g., the Section 208 complaint process and alternative dispute-resolution procedures, will sufficiently protect CMRS providers against illegal practices.

important that interconnection charges are just and reasonable, and are not used as a shield against competition.

Finally, the Commission should reject suggestions by several parties to adopt a filing requirement and/or include "most favored nation" clauses in interconnection contracts as a means to protect against discrimination.[23] As an initial matter, these requirements eliminate the very flexibility that is needed to address the particular needs of various CMRS providers. In particular, the inclusion of "most favored nation" clauses can potentially increase, not reduce, the number of disputes involved in the negotiation process. Serious disagreements over the applicability and interpretation of terms and conditions to potentially dissimilar situations and customers would further delay the introduction of new services and create considerable confusion.

More importantly, "most favored nation" clauses can themselves be anticompetitive. Because these clauses require that the lowest fee charged or offered to one provider be charged to other providers, they have the effect of eliminating discounts and reducing price competition because the provider is required to also lower all of its charges to the same level. Recently, the Department of Justice challenged the legality of such clauses

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[23] See New Par Comments at 21-22; AT&T Comments at 13; Comcast Comments at 8; Point Communications Company Comments at 6; RAM Mobile Data USA Limited Partnership Comments at 7-8; Dial Page, Inc. Comments at 6; Rural Cellular Association Comments at 9; Cox Enterprises, Inc. Comments at 12; and Southwestern Bell Telephone Comments at 64.

in the health care industry. Specifically, the Department found that the inclusion of "most favored nation clauses" in one insurance plan prevented dentists in Arizona from cutting their prices or offering discounts on dental services. As part of the proposed settlement agreement, the parties stipulated that the insurance company must "refrain from maintaining, adopting, or enforcing [a most favored nation] or similar provision . . . ."[24] In light of the Department's pledge to challenge similar clauses, the Commission should not require that negotiated agreements include such provisions.[25]

III. THE COMMISSION SHOULD NOT IMPOSE INTERCONNECTION OBLIGATIONS ON CMRS PROVIDERS.

In considering whether to impose direct CMRS-to-CMRS interconnection obligations, the Commission should be guided by the well-known principle that firms should be free to unilaterally choose to deal or not to deal with others absent persistent, sustained market power.[26] In light of the competitive and dynamic nature of the CMRS market, the Commission should refrain from mandatory CMRS interconnection obligations.

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[24] Proposed Settlement Agreement, U.S. v. Delta Dental Plan of Arizona, Civil No. 94-1793, filed August 30, 1994 at 5, ¶ 4

[25] "Department of Justice and Arizona State Attorney General Break Up Dental Group's Conspiracy to Eliminate Discounting," Mimeo 94-495, released August 30, 1994.

[26] See generally, United States v. Colgate & Co., 250 U.S. 300, 307 (1919).

Of the few parties urging the Commission to mandate interconnection between CMRS providers,[27] several claim that without mandatory interconnection CMRS providers will discriminate against one another and will overload LEC switches as traffic passes through the network.[28] Further, the National Cellular Resellers Association ("NCRA") repeats its old argument that such interconnection is compelled by Section 332(c)(1)(B) of the Communications Act.[29]

Simply put, these fears are unfounded. Without market power or control over essential facilities,[30] CMRS providers do not have the incentive or the ability to unjustly discriminate or otherwise act anticompetitively. Moreover, fears of overloading LEC switches are not only exaggerated but also ignore the fact that, in many instances, interconnection with the public switched network will be the most optimal, efficient form of interconnection. If and when it becomes more efficient to establish direct CMRS-to-CMRS interconnection, the market will ensure such a result.

A compulsory interconnection scheme is particularly inappropriate here given that many CMRS networks have yet to be

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[27] AT&T Comments at 13-14; General Services Administration Comments at 6-8; American Personal Communications Comments at 6-7.

[28] General Services Administration Comments at 6-8; AT&T Comments at 13-14.

[29] NCRA Comments at 8.

[30] CMRS Second Report, 9 FCC Rcd at 1467-1468.

designed. At present, CMRS providers cannot know their interconnection needs. Furthermore, because each type of CMRS has a unique network with potentially different technological requirements, the costs of direct interconnection may be prohibitory. Moreover, the Commission runs the risk of favoring specific technologies by adopting interconnection requirements at this stage. The Commission should eschew any policies that may effectively dictate CMRS' ultimate evolution.

Furthermore, the Commission must be cognizant of the substantial costs that will be incurred if CMRS providers are required to interconnect with one another. As each CMRS network may employ different technologies, significant costs will have to be expended to upgrade software and other equipment to achieve compatibility among the various networks. Furthermore, a mandatory interconnection requirement reduces incentives for CMRS providers to build various wireless networks and creates a "free rider" problem by allowing others to bear and assume the risk of establishing new networks. Ultimately, the imposition of mandatory CMRS-to-CMRS interconnection may diminish consumer choice.

Finally, the Commission should once again reject NCRA's flawed reading of Section 332. In support of its claim that the statute guarantees CMRS-to-CMRS interconnection, NCRA selectively quotes Section 332. NCRA, though, is merely recycling the same tired argument previously considered and rejected by the

Commission in the CMRS Second Report.[31] The full text of Section 332(c)(1)(B) reveals the illogic underlying NCRA's analysis:

> Upon reasonable request of any person providing commercial mobile service, the Commission shall order a common carrier to establish physical connections with such service pursuant to the provisions of section 201 of this Act. Except to the extent that the Commission is required to respond to such a request, this subparagraph shall not be construed as a limitation or expansion of the Commission's authority to order interconnection pursuant to this Act.[32]

Under the statute, the Commission is obligated to decide whether to order interconnection in accordance with its authority granted in Section 201, not Section 332. As the Commission itself recognized when previously considering this issue, "[t]his provision does not limit or expand the Commission's authority [under Section 201] to order interconnection pursuant to the Act."[33] Contrary to NCRA's interpretation, this subsection serves to emphasize the Commission's obligation to consider reasonable requests to interconnect, not to establish uniformly applicable interconnection requirements.

IV. SWITCHED-BASED RESALE OBLIGATIONS SHOULD NOT BE IMPOSED ON CELLULAR CARRIERS

In amending Section 332(c) of the Communications Act, Congress intended to establish "regulatory parity" among the mobile services. Consistent with this intent, CTIA articulated

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[31] See CMRS Second Report, 9 FCC Rcd at 1493.

[32] 47 U.S.C. § 332(c)(1)(B) (emphasis added).

[33] See CMRS Second Report, 9 FCC Rcd at 1493; see also Oppositions/Comments to Petitions for Reconsideration of the Cellular Telecommunications Industry Association filed June 16, 1994 in GN Docket No. 93-252.

its position that resale obligations should be imposed on CMRS providers to the same extent that such obligations are imposed on cellular licensees.

APC now urges the Commission to require that roaming be available between all broadband offerings -- cellular, PCS and wide-area SMR systems -- where technically feasible.[34] NCRA also requests that the Commission provide for switch-based resale.[35] Under NCRA's proposal, resellers would acquire their own NXX codes and record the duration, origin, destination, and billing account of all calls to and from their customers.[36]

The same rationale underlying CTIA's objection to compulsory interconnection requirements applies here as well. Economic efficiency, not government intervention, should determine the need for and extent of CMRS roaming and switched-based resale markets. The market for switch-based resale will develop and evolve when and where it is economically efficient. The same is also true with respect to the development of roaming markets. CTIA concurs with Southwestern Bell that CMRS providers must have the freedom to negotiate mutual roaming agreements with other providers where it is both economically sound and technically

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[34] APC Comments at 8.

[35] NCRA Comments at 14-15; <u>See also</u> People of the State of California and the Public Utilities Commission of the State of California Comments at 3-4.

[36] NCRA Comments at Exhibit A, "General Description of Switched Interconnection Between Facilities-Based Cellular Carriers and Cellular Resellers."

feasible.[37] Moreover, the Commission has never required mandatory unbundling for non-bottleneck services.

NCRA and APC's proposals also raise significant technological problems. Neither party provides specific technical and engineering specifications detailing how their proposals would work. Nor do they consider the significant costs that would be incurred in order to meet their demands. As explained by GTE, switch-based resale would require additional ports to the cellular switch. There is no evidence that these costs will be offset by the functions performed by the reseller, benefit cellular carriers, or appreciably reduce costs in any way.[38]

Simply put, APC and NCRA are essentially requesting the Commission to require cellular operators to unbundle their network.[39] Such a request necessarily implicates a complex process whereby the cellular network is broken down into component parts and priced separately. For example, APC and NCRA's proposals would require the Commission to establish detailed cost allocation and uniform accounting rules. Not only is this process beyond the scope of this proceeding, but such burdensome regulatory measures have never been, nor should they be, applied to mobile services. In fact, the Commission's

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[37] Southwestern Bell Telephone Comments at 61.

[38] GTE Comments at 46-47.

[39] See People of the State of California and the Public Utilities Commission of the State of California Comments at 3-4.

adoption of these proposals would be directly contrary to its forward-looking regulatory approach taken with respect to CMRS, i.e., the establishment of an untariffed, competitive market structure. Accordingly, the Commission should reject such proposals to mandate further unbundling of the cellular network.

CONCLUSION

For these reasons, CTIA respectfully requests that the Commission refrain from imposing equal access and interconnection obligations on cellular and other CMRS providers, that it employ a system of good faith negotiations to govern LEC interconnection with CMRS providers, that it expand the cellular resale obligations to all CMRS providers, and that it refrain from imposing switch-based resale obligations upon cellular providers.

Respectfully submitted,

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In reference to the above-captioned filing, I hereby certify that, on October 13, 1994, copies of the Reply Comments of The Cellular Telecommunications Industry Association, were served by hand delivery to the following:

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